



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
500 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243

NED McWHERTER
GOVERNOR

ALLAN S. CURTIS
COMMISSIONER

B U L L E T I N

TO: All Insurers Doing Business in Tennessee
FROM: Allan S. Curtis *ASC*
RE: Leased Life Insurance
DATE: July 6, 1994

The Department has received information that there may be insurance agents in Tennessee engaged in the solicitation of what is commonly called "leased life insurance" or "insurance leasing". The Department has for a number of years taken the position that this is an unacceptable departure from traditional concepts of life insurance.

The purpose of this bulletin is to state unequivocally that insurance leasing is an illegal inducement under the Unfair Trade Practice Act, Tennessee Code Annotated, Section 56-8-101, et seq. More specifically, the consumer receives coverage for a limited period of time at a greatly reduced premium because the agent is using his commission to fund the contract, which constitutes an illegal inducement or rebate.

The Department is very concerned that the payment by some companies of agent commissions in excess of 100% of the first year's premium creates the climate in which such illegal practices thrive. In most of these cases the insurance company loses money since the consumer often has no intention of ever paying the full premium. Consequently, the policies typically lapse at the end of the leasing arrangement.

Any insurance agent found to be engaging in the described activity or any similar scheme will be subject to administrative action that could include revocation of the agent's license.

JL